COMMISSION OF THE EUROPEAN COMMUNITIES

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COMMUNICATION FROM THE COMMISSION TO THE COUNCIL

concerning the effect of the drought on agriculture

INTRODUCTION

This document, which has been prepared for the extraordinary meeting of the Council of the European Communities on the effects of the drought on agriculture to be held on 9 September 1976, contains

- a general survey of the regions affected by the drought since the winter of 1975/76, and
- estimates of production and supply for several agricultural products in the 1976/77 marketing year.

It should be stressed that data on the drought and the regions affected by it and estimates of supplies are necessarily of a general kind and (very) provisional. Indeed, with the data available to the Commission the extent of the drought can be indicated only for relatively large regions as a whole; finer details, in some cases fairly significant, cannot be shown. Further, the forward estimates of supplies for the 1976/77 marketing year are equally provisional, both for certain products (maize, sugar, wine, beef and veal) and for almost all consumption figures.

The Commission, however, believes that on the basis of the following indications the Council will obtain a fairly realistic picture of the effects of the drought on Community agriculture.

<u>The regions most affected by the drought</u>

Apart from certain regions in southern France, Germany and Italy, Ireland and Scotland, the drought has since the winter of 1975/76 affected agriculture almost throughout the Community. Some of the affected regions had little rain in the winter, others little in the spring or summer, while some have been short of rain throughout this period (December 1975 - August 1976).

For the sake of simplicity the Commission has used the single criterion of rainfall to define the regions affected by the drought. It is of course well known that several other phenomena also have an influence on the growth of agricultural crops: temperature, relative humidity, frost, etc.

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Further, the lack of rain would certainly not always have the same effect on farm production: the composition of the soil, the water table, and the type of agricultural product all have an influence that sometimes is more important than a slight difference in rainfall.

Nevertheless, while far from complete, the survey of rainfall gives a fairly good picture of the difficulties of regions affected by the drought. With this as a basis it is, however, important to look separately at rainfall in the winter (heavy soil, winter grain), in the spring (light soil, all products), in the summer (late crops).

During the period December 1975 to March 1976 less than two-thirds of the normal amount of rainfall in the following regions:

England: Centre and South-east

Belgium-Luxembourg

Germany: Centre, Centre-west and South-west

France: to the north of a line through Bordeaux, Clermont Ferrand and Mulhouse

Italy: northern region

During the period April-June 1976, which is the growing period for crops, less than half the normal rain fell in the above regions and in certain regions in the south and east of the Netherlands and northern Germany.

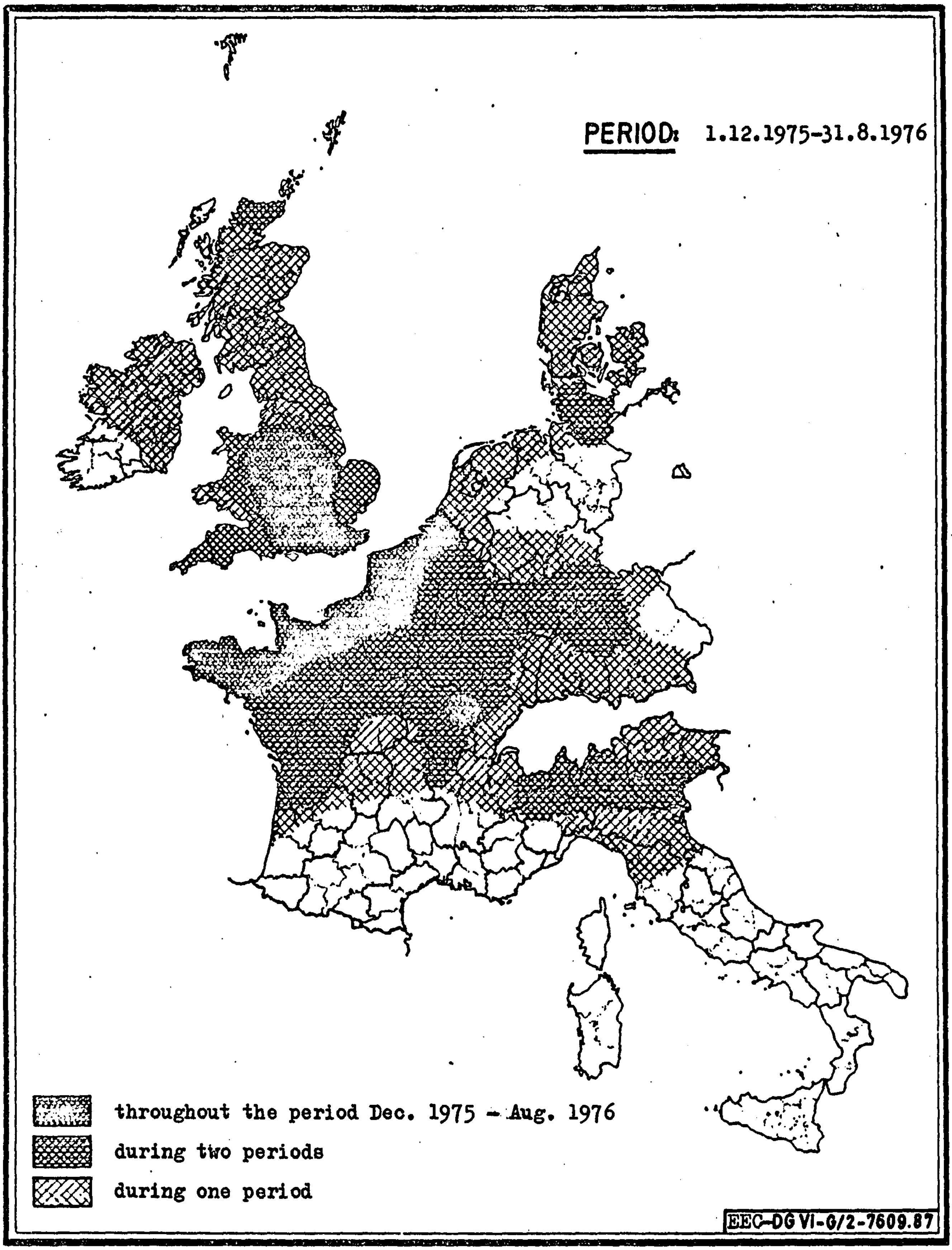
The regions the most affected during this period were the West and North-west of France, Belgium/Luxembourg, England (East and South-east), Germany (Centre) and the region from Lyon to Milan.

In July and August a fair amount of rain fell in the southern part of the EEC (south of a line through Nantes-Dijon-Strasbourg-Regenburg), but little or very little rain in the northern regions of the EEC. Over a belt about 100-150 kilometres wide along the Atlantic coast northwards from Nantes, and in the greater part of the United Kingdom and Ireland rainfall was 50% less than normal.

Total rainfall during the period December 1975 to August 1976 was 40% less than normal in an area in the west of France (Brittany and Normandy in particular) and 60% less in a larger area consisting of the north of France, Belgium and Luxembourg, the south of the Netherlands, the centre of Germany and the south-east of England.

SEE MAP BELOW

DROUGHT AFFECTED REGIONS



Periods: 1. Dec. '75 - March '76 (rainfall less than 2/3rds normal)
2. April - June '76 (rainfall half of normal)
3. July - August '76 (rainfall half of normal)

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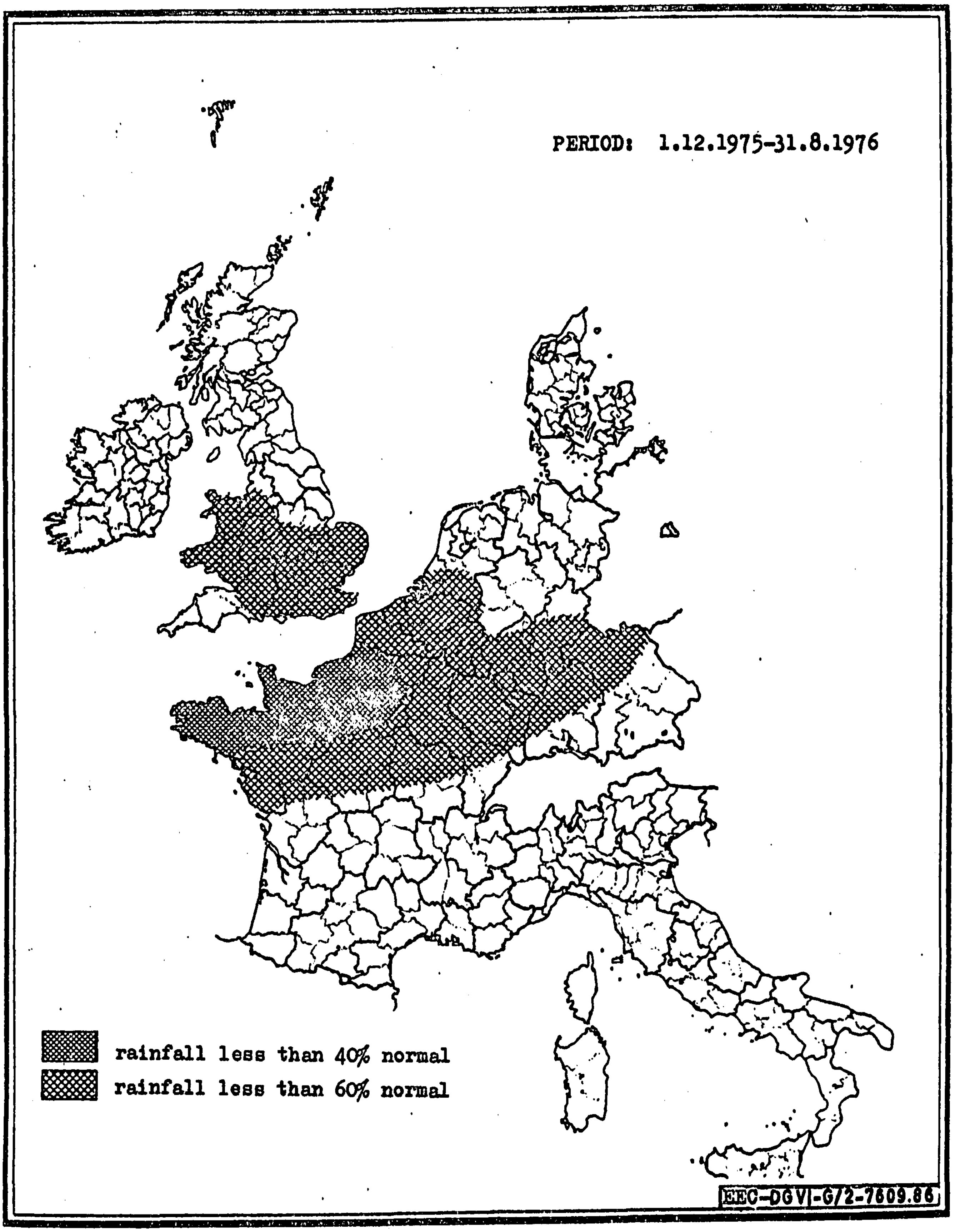

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<u>Supply position for certain agricultural products</u>

As mentioned above, the Commission draws attention to the provisional nature of the supply position figures which follow in respect of 1976/77, as regards both production estimates and consumption and trade estimates.

From the supply figures for cereals, cattle feed, beef and veal, milk, sugar, wine, potatoes, fruit and vegetables it emerges that some products so not seem to be affected by the drought (fruit, wine, winter cereals, colza) while other crops will be considerably reduced (cattle feed, hay, spring cereals, maize, sugar, milk from 1 July, potatoes, certain vegetables); furthermore, the decline in the production of beef and veal in 1976 will be considerably less marked than previously estimated due to early or even additional slaughterings prompted by the drought.

Changes in production levels will necessarily affect Community trade with non-member countries (increased imports of cereals, soya, fodder and potatoes and reduced wheat and sugar exports).

From information at present available to the Commission there is no reason to expect a supply crisis on the world market for any of the abovementioned products. In the circumstances the Commission believes that there will be no difficulty, due to the drought, in providing supplies at reasonable prices of the main basic foodstuffs (excepting potatoes) for the Community consumer.

Cereals

1. Production

The production of common wheat has been less affected by the drought than might reasonably have been feared. Sowing went very well in the autumn of 1975 and the areas under common wheat were mainly winter wheats. These suffered less from the unfavourable spring weather than the spring wheats. Nonetheless, the average yield was lower than in a normal year (Belgium, Germany, France), but this was counterbalanced by an increase of about 800 000 ha in the areas under common wheat, which resulted in a production of 35.5 million tons, which was more than the 1975 harvest (33.8 million tons).

Moreover, the average quality of common wheat seems to have been above average, with a high protein content and a low moisture content, but with a lower yield (3 to 4%) than normal. The production of durum wheat fell by some 200 000 tons to about 4 million tons, chiefly because French producers grew less of the varieties with a high yield and variable qualities.

In addition, barley production shows a drop of about 2 million tons compared with the 1975 harvest and of more than 4 million tons compared with the 1974 harvest. The fall in production compared with 1975 was partially due to a reduction in the areas sown (-200 000 ha, i.e., a drop of about 800 000 tons) and above all to the drought (spring barley). Barley production will be about 30 million tons.

Although the barley harvested had a high protein content, the quality in 1976 was, nonetheless, below the average quality because of a considerable percentage of small grains, particularly in brewer's barley.

It is too soon to estimate the grain-maize production, but it will certainly be much lower than the usual harvests following the reduction in the areas sown (especially in France), a general drop in yield as a result of the drought and of premature harvesting (ensilage) of some of the areas originally intended for grain-maize. Community maize production is provisionally estimated at 11.5 to 12 million tons.

The production of all cereals in 1976/77 may be estimated at about 93 million tons, that is to say, a drop of about 4% compared with the previous year and 14% compared with 1974/75.

2. Utilization

Generally speaking there has been an increased trend towards farm consumption, especially for common wheat (7 million tons). Relatively to the harvest, this trend has also emerged for barley (14.7 million tons), but less so than expected, as a result of high prices (brewer's barley, particularly in Denmark) and the effects of the drought in regions traditionally practising farm consumption (France).

Nonetheless, it appears that harvesting will occur normally in regions with surplus production, with no retention by the producer: expected harvests: common wheat 28.6 million tons (75/76: 27.7 million tons) - barley: 15.8 million tons (75/76: 17.3 million tons).

Commercial feed-grain consumption will increase considerably for all cereals to make up for the shortage of other fodder.

- Common wheat: 5.8 million tons (75/76: 4.3 million tons)
- Barley: 10.5/11.5 million tons (75/76: 9.8 million tons)
- Maize: 19.8/18.8 million tons (75/76: 17.7 million tons).

3. Imports

They depend partly on the level of intra-Community trade, particularly for common wheat, in view of the price factor. Import requirements of both fodder and brewer's barley are considerable (+ 3 million tons), but it will probably not be possible to cover them (limited world market), whence the need to replace them with other substitute cereals or fodder products. Imports of maize may already be estimated at about 16 to 18 million tons (75/76: approximately 13 million tons).

4. Internal prices

The present general price trend is towards the threshold price, and the internal market will be affected to a greater extent during this marketing year by variations on the world market which, fortunately, except in the case of barley, currently has considerable supplies available.

SUGAR

Community sugar production is currently expected to amount to 9.6 million tons for the 1976/77 marketing year (with a possible upward or downward margin of about 0.4 million tons), i.e., 14% less than a normal yield harvest over the same area. At regional level, a good or average harvest can be expected in Italy and Ireland and a below average harvest in the other Member States: Netherlands and Denmark: -5 to 10%, Federal Republic of Germany and the United Kingdom: -10 to 20%, France: -30%. However, there is great uncertainty concerning this estimate since, according to the results of sampling currently being carried out on beet, the weight of beet per hectare is very low, whereas its sugar content is extremely high.

Thus, it is quite possible that, in the last analysis, production will exceed by 3 to 7% the level stated above, although the possibility of a production of below 9.7 million tons cannot be entirely excluded, if climatic conditions are very unfavourable.

Sugar consumption for 1976/77 is currently estimated at 9.6 million tons. This is more or less equivalent to the maximum permissible Community production within the quota. In addition to this production there will be imports of 1.3 million tons of sugar from the ACP countries and 0.12 million tons of sugar from non-member countries in the form of processed products.

Thus, Community supplies exceed consumption by 1.42 million tons. Of this surplus 0.4 to 0.5 million tons will be used to increase stocks in accordance with the Community regulations concerning minimum stocks, and the balance of about 1.0 million tons will be exported either as unprocessed sugar or as processed products. As far as the prices on the Community market are concerned, levels vary according to the regions concerned, but remain within the range between the intervention price and the threshold price. This price situation is not likely to change in view of the state of supply in the Community and the abundant supplies available on the world market, where prices are consequently 25 to 30% lower than the prices applicable in the Community.

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FEEDINGSTUFFS

A. Oil-cakes

Normal Community oil-cake consumption may be estimated at 14 million tons per year, of which about 600 000 tons are of Community origin and are for the most part produced from colza seed, for which the 1976 harvest was barely affected by the drought. This harvest was indeed estimated at 950 000 to 970 000 tons, as against 900 000 tons in 1975. For sunflower seeds, however, which of course have not yet been harvested, there is likely to be a drop in production owing to a poor yield. Production should total 115 000 to 135 000 tons, as against 165 000 tons in 1975.

Since the Community's oil-cake production covers only 4 to 5% of its requirements, Community supplies are largely governed by the possibility of importing oil-cakes, either as such or in the form of seed. During the first six months of 1976, Community imports of oilseeds and oil-cakes increased by 25 to 30%.

In view of the fact that the drought in Europe has greatly reduced the planting of catch-crops which provide certain coarse feedingstuffs for winter use, it is possible that there will be a comparable increase in the demand for oil-cakes in the next few months. On the assumption that there will be an increase in the use of oil-cakes during the 1976/77 marketing year, and that there will also be a slight decrease in cattle herds following slaughterings, the import requirements for 1976/77 could be as follows: 9 million tons of soya beans, 2 million tons of other oilseeds, 4 million tons of soya cake and 4 million tons of other oil-cakes.

On the basis of certain information now available, there is likely to be a rise in prices. The last estimate by the USDA, made on 13 August 1976, set the soya bean production for 1976 at 36.6 million tons, i.e., 12% less than last year. United States stocks at the beginning of the next marketing year are, however, expected to be quite large (about 5.5 million tons).

In view of the weather in the United States, this figure may be reduced. Brazil has only small quantities of soya cake available for sale and export.

B. Other feedingstuffs

The Community production of dehydrated fodder was severely affected by the drought. In France, the main producer country, the drop in production could be 40%. It is to be feared that the shortfall cannot be made up by importing. Imports of substitute products could, however, be increased. In the 1976/77 marketing year, imports of bran and other cereal middlings could be 2 million tons, imports of maize-gluten feed could be 0.6 million tons and imports of manioc products and other roots could be 2.5 million tons.

Imports of certain other products, such as citrus fruit pulp, although of lesser importance, could increase slightly.

The Community supply prospects seem therefore to depend mainly on the possibility of importing oil-cakes, particularly soya cake.

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BEEF AND VEAL

For cattle farmers the drought has had a critical effect on the profitability of beef and veal production; it will also accelerate the running down of production potential.

Cattle numbers, which had already fallen in December 1975 (- 2.3% overall, - 1.8% for cows and - 4.5% for calves), will be down further in December 1976 because of the above normal number of slaughterings expected, especially of cows, in certain regions of the Community. The drop in beef and veal production in 1976 will be only about half of the 6% originally forecast. However, although more animals will be slaughtered, the average carcase weight will probably fall in the second half of 1976. Production will fall even more in 1977 (by at least 6% compared with 1976). The rise in beef and veal consumption in both these years will be extremely moderate because of the continuing economic difficulties in the Community, especially in Italy and the United Kingdom.

As regards farmers' incomes, because of the shortage of roughage, especially in meat-producing grassland regions, the price of feed has increased considerably (effect upstream of production) while on the other hand (downstream of production) the selling price of beef cattle is already relatively low.

The amount of meat eligible for private storage aid which has been bought in or withdrawn from the market is close to the technically possible maximum. The amount of beef and veal still in store at the end of 1976 will probably be slightly higher than the impressive final figure reached in 1975. Supplies of beef and veal are therefore assured for 1976 with something to spare, but in the medium-term they will be more difficult to obtain because of the likely drop in Community production and in spite of the reabsorption of current stocks in 1977. As regards trade, the increased imports of meat from non-member countries in 1977 and 1978 will probably be more expensive because of the likely imbalance between supply and demand on the world market from 1977 onwards.

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MILK AND MILK PRODUCTS

In the first six months of 1976, deliveries of milk to dairies were 6% higher than in the corresponding period of 1975. Deliveries between 1 July and 30 September will be 3½ to 4% lower than in the corresponding period of 1975, while the drop for the last quarter will probably lie between 2 and 3%.

Deliveries of milk in the calendar year 1976 will probably be 1½% up on 1975. The 14% increase in butter production in the first half of 1976 will be down by about 8% compared with 1975 in the second half of 1976, giving a total increase in butter production of about 3.5% for 1976. The corresponding figures for skimmed milk powder are +17%, -12%, and +4.5%. The considerable fall in the second half of 1976 is caused mainly by the situation in France, Belgium and Luxembourg. Falls of shorter duration took place in July and August in Denmark, Germany and the Netherlands. Bearing the above in mind, stocks of skimmed milk powder will probably total 1.25 million tons at the end of 1976 with a figure of between 275 000 and 300 000 tons for butter.

During the 1976/77 milk year (1 April to 31 March) and in accordance with the forecast made during the drought, the impact will continue after 1 April of next year; deliveries are likely to fall by 0.5 to 1% by comparison with the 1975/76 milk year in spite of the considerable increase in the first quarter of the present milk year. Production of butter will probably fall by 1.5 to 2% and production of skimmed milk powder by 2.5 to 3%.

The high temperatures in the summer months appear to have had a positive effect on the consumption of liquid milk and other fresh milk products, probably in the region of 0.5 to 1%. As a result of the heat wave the drop in butter consumption, particularly in the United Kingdom, appears to have been greater than was forecast.

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FRUIT AND VEGETABLES

The drought should not affect the Community's fruit supply. If apple harvest forecasts show an appreciable drop compared to 1975/76 production (6 million tons compared with 7.3 million), this is a normal factor of the alternate bearing of fruit crops, the 1975/76 harvest having been a particularly plentiful one. The drop in the pear harvest is minimal since 1976/77 production is estimated at 2.34 million tons as against 2.40 million in 1975/76.

The situation for vegetables is less clear since rapid crop rotation and the possibility of glasshouse production, as well as the fact that certain winter crops cannot yet be harvested, mean that this sector is constantly changing and that it is practically impossible to make an assessment for the whole of the Community. However, it can already be said that the drought has caused irreparable damage to pea and bean crops, where the harvest in the affected areas is only 20% to 85% of normal.

In respect of products still awaiting harvesting (cauliflowers and other late cabbages, onions and canning carrots, root vegetables) planting and growth took place in many areas under unfavourable conditions and a drop in production in the order of 20 to 30%, or sometimes more, is forecast. How they fare from now on will certainly depend on the weather. Certain other quick-turnover crops such as lettuces and witloof chicory, which suffered from the drought during the summer, have been re-sown and normal harvests are expected soon.

With regard to the measures taken by the Community to suspend customs duties on a certain number of fresh or refrigerated vegetables, it is at present difficult to assess the extent to which these will benefit Community supplies.

The potato sector

According to currently available estimates the Community's 1976 potato harvest will be about 30 million tons. This figure represents a drop of 10% compared to the 1975 harvest, which was 33 million tons. A normal harvest is about 40 million tons, the level reached in 1973 and 1974.

The Member States worst affected by the drought in this sector are the Federal Republic of Germany (normal harvest: 14 million tons, 1975 harvest: 11 million tons, 1976 harvest estimated at 5 million tons) and the United Kingdom (normal harvest: 7 million tons, 1975 harvest: 4.5 million tons, 1976 harvest estimated at 5.5 million tons).

The 1976 harvest, although down on the preceding one, will, however, probably not result in price levels as high as those experienced at the beginning of 1976. A more rational utilization of the harvest may be expected, reserving less tonnage for fodder and the starch industry; the above normal prices will continue to encourage a drop in human consumption and last year's experience of importing potatoes from countries in greater or lesser proximity will facilitate imports during the coming autumn and winter.

On this last point, it should be noted that Poland has had a normal harvest this year (46 million tons) and that there is a trend in the animal feed sector, in view of comparative price levels, to change from potatoes to other feedingstuffs; Sweden's harvest is double that of last year (Sweden recently exported to the Community 1 000 tons of potatoes from their new crop); the harvest in the United States and in Canada is good and the area under potatoes is 4% more than last year.

To sum up it can be said that even if the 1976 potato harvest is probably 10% below the 1975 level, it is estimated that reduced consumption, more rational utilization of stocks and easier imports will result in more moderate price levels.